

Message Text

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PAGE 01 ATHENS 00573 201134Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-02 INR-07
L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15
USIA-15 AID-05 EB-08 TRSE-00 STR-06 OMB-01 CEA-01
COME-00 FRB-01 XMB-04 OPIC-06 LAB-04 SIL-01
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FM AMEMBASSY ATHENS
TO SECSTATE WASHDC 4219
INFO AMEMBASSY PARIS
AMEMBASSY BRUSSELS
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PARIS FOR USOECD
BRUSSELS FOR USEEC

E.O. 11652: N/A
TAGS: EFIN, ECRP, GR
SUBJECT: GOVERNMENT ANNOUNCES DETAILS OF INVESTMENT BUDGET

REF: ATHENS 0135

1. SUMMARY: FOLLOWING A MEETING OF ECONOMIC MINISTERS AND
DEPUTY MINISTERS, CHAIRED BY PRIME MINISTER CARAMANLIS, THE
GOVERNMENT RELEASED ADDITIONAL DETAILS OF ITS 55 BILLION DRACHMAS
(1.5 BILLION DOLLARS) PUBLIC INVESTMENT BUDGET (REFTEL).
THE INVESTMENT BUDGET, INCREASED BY 22 PERCENT THIS YEAR, GIVES
PRIORITY TO PROJECTS THAT WILL IMPROVE GREECE'S SOCIAL AND
CULTURAL INFRASTRUCTURE, THAT ARE DIRECTLY CONNECTED TO EC
ACCESSION, AND THAT WILL YIELD EARLY RETURNS. THE GOG STRESSED THE
IMPORTANCE OF RAPID IMPLEMENTATION OF THE PUBLIC INVESTMENT
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PROGRAM AND ITS HOPED-FOR STIMULATIVE EFFECT ON PRIVATE
INVESTMENT PROJECTS. END SUMMARY.

2. OVER HALF OF THE LARGELY DEFICIT-FINANCED INVESTMENT BUDGET
WILL BE ALLOCATED TO TRANSPORTATION AND COMMUNICATIONS (9.6
BILLION DRACHMAS, UP 17 PERCENT), EDUCATION, 8.2 BILLION DRACHMAS,
UP 29 PERCENT), AGRICULTURE (5.3 BILLION DRACHMAS, UP 414 PERCENT),

LAND IMPROVEMENT (4.4 BILLION DRACHMAS, UP 2 PERCENT), AND WATER SUPPLY AND DRAINAGE (4.3 BILLION DRACHMAS, UP 23 PERCENT). TRANSPORT PROJECTS SUCH AS AIRPORT DEVELOPMENT, EXPANSION OF THE RAILWAY (ATHENS-FRONTIER LINE), AND VOLOS PORT MODERNIZATION (TO LINK WITH SYRIAN PORTS) ARE DIRECTED TOWARDS FACILITATING EXPORTS AND CONSOLIDATING GREECE'S POSITION AS A LINK BETWEEN EUROPE AND THE MIDDLE EAST. A SPECIAL ALLOCATION HAS BEEN MADE TO ALLEVIATE THE VERY SERIOUS TRANSPORT PROBLEMS OF THE ATHENS AREA, INCLUDING FUNDS FOR METRO CONSTRUCTION AND PURCHASE OF 1,500 BUSES (300 OF WHICH ARE TO BE IN CIRCULATION THIS YEAR). IN THE PRIMARY SECTOR, EMPHASIS IS ON IMPROVING AGRICULTURAL PRODUCTIVITY, DEVELOPMENT OF FOREST COMPLEXES, AND INFRASTRUCTURE NECESSARY FOR EC ACCESSION. BECAUSE PUBLIC INVESTMENT EXPENDITURES WERE BROKEN DOWN BY SECTOR RATHER THAN MINISTRY, THERE WERE NO DETAILS ON INVESTMENT EXPENDITURES IN SUPPORT OF THE COUNTRY'S DEFENSE. OF THE 55 BILLION DRACHMA BUDGET, 3 BILLION DRACHMAS ARE SET ASIDE AS AN UNALLOCATED RESERVE FUND.

3. AT THE CONCLUSION OF ITS STATEMENT, THE GOVERNMENT SAID THAT AN INVESTMENT BUDGET OF THIS YEAR'S MAGNITUDE IS A PARTICULARLY BRAVE GESTURE IN VIEW OF THE LARGE BURDEN THE COUNTRY MUST BEAR IN DEFENSE EXPENDITURES, AND IT EXHORTED THE PRIVATE SECTOR TO FOLLOW ITS EXAMPLE BY UNDERTAKING BADLY NEEDED PRODUCTIVE INVESTMENTS.

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